

BURNS TOWNSHIP
SHIAWASSEE COUNTY
FINANCIAL STATEMENTS
MARCH 31, 2011

BURNS TOWNSHIP
SHIAWASSEE COUNTY, MICHIGAN
MARCH 31, 2011

ELECTED OFFICIALS

| | |
|----------------|------------|
| David Mitchell | Supervisor |
| Sharon Granger | Clerk |
| Valerie Ritter | Treasurer |
| Gary Adams | Trustee |
| Cheryl Cole | Trustee |

BURNS TOWNSHIP
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MARCH 31, 2011

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DEMIS and WENZLICK, P.C.

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Burns Township
Shiawassee County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Burns Township as of and for the year then ended March 31, 2011, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Burns Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Burns Township, as of March 31, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for all major funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Burns Township's basic financial statements. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Demis and Wenzlick, P.C.
Certified Public Accountants

August 17, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

BURNS TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of Burns Township's (the Township's) financial performance and position, providing an overview of the activities for the year ended March 31, 2011. This analysis should be read in conjunction with the Independent Auditors' Report and with the Township's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by approximately \$2,272,000 (net assets). Of this amount, approximately \$704,000 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's total net assets increased by approximately \$110,000 for the fiscal year.

As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of approximately \$1,186,000, an increase of \$46,000 in comparison with the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary and additional information in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Township's assets and liabilities with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., delinquent personal property taxes).

BURNS TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes, special assessments and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government, public safety, public works, health and welfare, community and economic development, culture and recreational and other functions. The government-wide financial statements can be found on pages 8 and 9 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government activities in the government-wide financial statement. By doing so, readers may better understand the long-term impact of the government's near term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Township maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non major governmental funds is elsewhere in this report.

The Township adopts an annual appropriated budget for its general fund and special revenue funds. Budgetary comparison statements have been provided for the general fund in the required supplementary information and for the special revenue funds in the additional information to demonstrate compliance with budgets.

BURNS TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiduciary Funds. Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 14 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the Township's general fund and special revenue budget.

Government-Wide Financial Analysis

As noted earlier, net assets may serve, over time, as a useful indicator of government's financial position. In the case of the Township, assets exceeded liabilities by \$2.2 million at the close of the most recent fiscal year.

By far the largest portion of the Township's net assets (48 percent) reflects its investment in capital assets (e.g., land, building, machinery, infrastructure, and equipment); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the Township does not have any outstanding debt.

Restricted assets represent the net assets of the Township's Fire, Fire Equipment and Ambulance Special Revenue accounts.

**BURNS TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Township as a Whole

The following table shows, in a condensed format, the net assets of the Township as of March 31, 2011 and March 31, 2010:

| | <u>3/31/11</u> | <u>3/31/10</u> |
|----------------------|----------------------------|----------------------------|
| Current Assets | \$ 1,193,093 | \$ 1,146,252 |
| Capital Assets - Net | <u>1,085,972</u> | <u>1,022,287</u> |
| Total Assets | <u>2,279,065</u> | <u>2,168,539</u> |
| Current Liabilities | <u>6,728</u> | <u>6,434</u> |
| Total Liabilities | <u>6,728</u> | <u>6,434</u> |
| Net Assets | <u><u>\$ 2,272,337</u></u> | <u><u>\$ 2,162,105</u></u> |

The following table shows the change in net assets for the year ended March 31, 2011 and March 31, 2010:

| | <u>3/31/11</u> | <u>3/31/10</u> |
|----------------------------------------|--------------------------|-------------------------|
| General Revenues: | | |
| State Shared Revenues | \$ 188,448 | \$ 178,127 |
| Property Tax/Special Assessments | 301,918 | 313,570 |
| Interest | 5,211 | 6,666 |
| Other General Revenues | <u>17,366</u> | <u>14,986</u> |
| Total Revenues | 512,943 | 513,349 |
| Program Expenses: | | |
| General Government | 124,871 | 121,019 |
| Public Safety (Fire) | 105,020 | 109,572 |
| Public Works (Streets, Drains, Lights) | 110,241 | 128,872 |
| Health and Welfare (Ambulance) | 62,397 | 63,054 |
| Community/Economic Development | <u>180</u> | <u>650</u> |
| Total Expenses | <u>402,709</u> | <u>423,167</u> |
| Change in Net Assets | <u><u>\$ 110,234</u></u> | <u><u>\$ 90,182</u></u> |

BURNS TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS

The Township's Funds

Governmental Funds. The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The fund financial statements provide detailed information about all the general government funds. Burns Township Board of Trustees have the ability to create funds to help manage money for specific purposes as well as to show accountability for certain activities, such as property tax mileages' and special assessments.

The General Fund pays for the majority of the Township's governmental services. The Fire Funds pays for the purchase of equipment, fire wages, insurance, etc. The General Fund paid \$171,618 for road maintenance during the year.

General Fund Budgetary Highlights

Over the course of the fiscal year, the Township Board made necessary budget adjustments to fund unanticipated expenditures during the year and to reallocate expenses across different governmental activities. All major activities came in under budget at year end; there was an overall favorable budget to actual variance of \$127,217.

Capital Assets

At the end of the fiscal year, the Township had approximately \$1,818,998 (valued at historical cost) in assets which includes building, land, land improvements, furniture, equipment, fire equipment, fire vehicles, office equipment and software. Accumulated depreciation recorded for the general township assets was \$733,026 at March 31, 2011.

Current Economic Factors

Burns Township's goal is to continually look for the most efficient and effective methods to maintain and enhance the services that are provided to the public. The Township has a conservative and financially prudent budget for the fiscal year 2011 that also promotes and funds numerous project objectives.

The Township has deliberately made conservative estimates concerning state revenue sharing for fiscal year 2011 due to the budget constraints at the State level. It has also estimated investment earnings conservatively anticipating lower interest rates.

Request for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Township Supervisor at P.O. Box 397, Byron, Michigan 48418.

BASIC FINANCIAL STATEMENTS

BURNS TOWNSHIP
STATEMENT OF NET ASSETS
MARCH 31, 2011

| | Primary Government |
|------------------------------------------------|----------------------------|
| | Governmental Activities |
| <hr/> | |
| ASSETS | |
| Current Assets | |
| Cash & Cash Equivalents | \$ 843,753 |
| Restricted Cash - Ambulance Savings | 40,950 |
| Restricted Cash - Fire | 273,269 |
| Accrued Interest Receivable | 797 |
| Due from Other Governmental Units | 29,140 |
| Due from Tax Account | 5,184 |
| Total Current Assets | <hr/> 1,193,093 |
| Noncurrent Assets | |
| Capital Assets not being depreciated | 12,086 |
| Capital Assets net of accumulated depreciation | 1,073,886 |
| Total Assets | <hr/> 2,279,065 <hr/> |
| | |
| LIABILITIES | |
| Current Liabilities | |
| Accounts Payable | 6,728 |
| Total Current Liabilities | <hr/> 6,728 <hr/> |
| | |
| NET ASSETS | |
| Invested in capital assets net of related debt | 1,085,972 |
| Restricted for: | |
| Restricted/Reserved Special Revenue | 482,525 |
| Unrestricted | 703,840 |
| Total Net Assets | <hr/> \$ 2,272,337 <hr/> |

The accompanying notes are an integral part of these financial statements.

BURNS TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2011

| Functions/Programs | Expenses | Program Revenues | Net (Expense) Revenue | | |
|-----------------------------------|----------------|----------------------|-------------------------|--------------------------|---------------------|
| | | Charges for Services | Primary Government | | |
| | | | Governmental Activities | Business-type Activities | Total |
| Primary Government | | | | | |
| Governmental Activities: | | | | | |
| General Government | \$ 124,871 | \$ -- | \$ (124,871) | \$ -- | \$ (124,871) |
| Public Safety | 105,020 | -- | (105,020) | -- | (105,020) |
| Public Works | 110,241 | -- | (110,241) | -- | (110,241) |
| Planning and Economic Development | 180 | -- | (180) | -- | (180) |
| Health and Welfare | 62,397 | -- | (62,397) | -- | (62,397) |
| Total Governmental Activities | <u>402,709</u> | <u>--</u> | <u>(402,709)</u> | <u>--</u> | <u>(402,709)</u> |
| General Purpose Revenues: | | | | | |
| Property Taxes | | | 79,940 | -- | 79,940 |
| Miscellaneous Other Income | | | 17,366 | -- | 17,366 |
| Special Assessments | | | 200,153 | -- | 200,153 |
| Administration Fees | | | 21,825 | -- | 21,825 |
| State Shared Revenues | | | 188,448 | -- | 188,448 |
| Interest Income | | | 5,211 | -- | 5,211 |
| Total General Revenues | | | <u>512,943</u> | <u>--</u> | <u>512,943</u> |
| Change in Net Assets | | | 110,234 | -- | 110,234 |
| Net Assets at Beginning of Period | | | <u>2,162,103</u> | <u>--</u> | <u>2,162,103</u> |
| Net Assets at End of Period | | | <u>\$ 2,272,337</u> | <u>\$ --</u> | <u>\$ 2,272,337</u> |

The accompanying notes are an integral part of these financial statements.

BURNS TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2011

| | | Special Revenue | | | |
|---------------------------------------|-------------------|---------------------|---------------------------|-------------------|--------------------------------|
| | General Fund | Fire Maintenance | Fire Equipment Fund | Ambulance Fund | Total Governmental Funds |
| ASSETS | | | | | |
| Cash & Cash Equivalents | \$ 693,249 | \$ 97,083 | \$ 53,422 | \$ -- | \$ 843,754 |
| Restricted Cash - Ambulance Savings | -- | -- | -- | 40,950 | 40,950 |
| Restricted Cash - Fire | -- | 128,902 | 144,367 | -- | 273,269 |
| Accrued Interest Receivable | 651 | 146 | -- | -- | 797 |
| Due from Other Governmental Units | 9,400 | 8,684 | 4,341 | 6,715 | 29,140 |
| Current Due from Tax Fund | 5,184 | -- | -- | -- | 5,184 |
| Total Assets | <u>\$ 708,484</u> | <u>\$ 234,815</u> | <u>\$ 202,130</u> | <u>\$ 47,665</u> | <u>\$ 1,193,094</u> |
| LIABILITIES | | | | | |
| Accounts Payable | \$ 4,643 | \$ 2,085 | \$ -- | \$ -- | \$ 6,728 |
| Total Liabilities | <u>4,643</u> | <u>2,085</u> | <u>--</u> | <u>--</u> | <u>6,728</u> |
| FUND BALANCE | | | | | |
| Reserved for: | | | | | |
| Restricted/Reserved- Special Revenues | -- | 232,730 | 202,130 | 47,665 | 482,525 |
| Unreserved reported in: | | | | | |
| General Fund | <u>703,841</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>703,841</u> |
| Total Fund Balance | <u>703,841</u> | <u>232,730</u> | <u>202,130</u> | <u>47,665</u> | <u>1,186,366</u> |
| Total Liabilities and Fund Balance | <u>\$ 708,484</u> | <u>\$ 234,815</u> | <u>\$ 202,130</u> | <u>\$ 47,665</u> | <u>\$ 1,193,094</u> |

The accompanying notes are an integral part of these financial statements.

BURNS TOWNSHIP
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
MARCH 31, 2011

| | |
|-----------------------------------------|--------------|
| Total Fund Balance - Governmental Funds | \$ 1,186,366 |
|-----------------------------------------|--------------|

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| Fixed assets are capitalized in the Statement of Net Assets and depreciated in the Statement of Activities. These are expensed when acquired in the Statement of Revenue, Expenditures, and Changes in Fund Balance | 1,655,396 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|

| | |
|--------------------------------------------------------------------------------------------------------------|-----------|
| Depreciation expense reflected in the entity wide statements, not reflected in governmental fund statements. | (733,027) |
|--------------------------------------------------------------------------------------------------------------|-----------|

| | |
|----------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| Fixed assets are expensed as capital outlay in governmental fund statements and capitalized as fixed assets in the Statements of Net Assets. | <u>163,602</u> |
|----------------------------------------------------------------------------------------------------------------------------------------------|----------------|

| | |
|---------------------------------------|----------------------------|
| Total Net Assets - Governmental Funds | <u><u>\$ 2,272,337</u></u> |
|---------------------------------------|----------------------------|

The accompanying notes are an integral part of these financial statements.

BURNS TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2011

| | | Special Revenue | | | |
|-------------------------------------|-------------------|---------------------|---------------------------|-------------------|--------------------------------|
| | General Fund | Fire Maintenance | Fire Equipment Fund | Ambulance Fund | Total Governmental Funds |
| Revenues | | | | | |
| Property Taxes | \$ 79,940 | \$ -- | \$ -- | \$ -- | \$ 79,940 |
| Special Assessments | -- | 91,827 | 45,911 | 62,415 | 200,153 |
| Administration Fees | 21,825 | -- | -- | -- | 21,825 |
| State Shared Revenues | 188,448 | -- | -- | -- | 188,448 |
| Miscellaneous Other Income | 15,361 | 2,005 | -- | -- | 17,366 |
| Interest Income | 3,541 | 762 | 778 | 130 | 5,211 |
| Total Revenues | <u>309,115</u> | <u>94,594</u> | <u>46,689</u> | <u>62,545</u> | <u>512,943</u> |
| Expenditures | | | | | |
| General Government | 121,146 | -- | -- | -- | 121,146 |
| Public Safety | -- | 70,138 | 37,831 | -- | 107,969 |
| Public Works | 174,702 | -- | -- | -- | 174,702 |
| Planning and Economic Development | 180 | -- | -- | -- | 180 |
| Health and Welfare | -- | -- | -- | 62,397 | 62,397 |
| Total Expenditures | <u>296,028</u> | <u>70,138</u> | <u>37,831</u> | <u>62,397</u> | <u>466,394</u> |
| Net Change in Fund Balance | 13,087 | 24,456 | 8,858 | 148 | 46,549 |
| Fund Balance at Beginning of Period | <u>690,754</u> | <u>208,274</u> | <u>193,272</u> | <u>47,517</u> | <u>1,139,817</u> |
| Fund Balance at End of Period | <u>\$ 703,841</u> | <u>\$ 232,730</u> | <u>\$ 202,130</u> | <u>\$ 47,665</u> | <u>\$ 1,186,366</u> |

The accompanying notes are an integral part of these financial statements.

BURNS TOWNSHIP
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
WITH STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2011

| | |
|----------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| Total Net Change in Fund Balances - Governmental Funds | \$ 46,549 |
| Depreciation expense reflected in the entity wide statements, not reflected in governmental fund statements. | (99,917) |
| Fixed assets are expensed as capital outlay in governmental fund statements and capitalized as fixed assets in the Statements of Net Assets. | <u>163,602</u> |
| Changes in Net Assets - Governmental Funds | <u><u>\$ 110,234</u></u> |

The accompanying notes are an integral part of these financial statements.

BURNS TOWNSHIP
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
MARCH 31, 2011

| | |
|--------------------------------------|--------------------|
| | <u>Agency</u> |
| | |
| | <u>Tax Account</u> |
| ASSETS | |
| Cash & Cash Equivalents | \$ 5,184 |
| Total Assets | <u>5,184</u> |
| LIABILITIES | |
| Current due to other funds - General | <u>5,184</u> |
| Total Liabilities | <u>5,184</u> |
| NET ASSETS | |
| Held in Trust | <u>\$ --</u> |

The accompanying notes are an integral part of these financial statements.

BURNS TOWNSHIP
FIDUCIARY FUND
CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
YEAR ENDED MARCH 31, 2011

| | |
|---------------------------------------|------------------------|
| BALANCE APRIL 1 | \$ 779 |
| RECEIPTS | |
| Current Property Taxes | 2,037,987 |
| Delinquent Property Taxes | 34,272 |
| Collection Fees | 19,946 |
| Dog Licenses | 860 |
| Interest Earned | 249 |
| Overpayments/Bank Fees | 6,211 |
| Penalties | 1,350 |
| TOTAL RECEIPTS AND BEGINNING BALANCE | <u>2,101,654</u> |
| DISBURSEMENTS | |
| Shiawassee County | 1,518,861 |
| Byron Schools | 180,930 |
| Durand Schools | 41,270 |
| General Fund | 102,533 |
| Fire Fund | 92,198 |
| Fire Equipment Fund | 46,096 |
| Ambulance Fund | 62,045 |
| Community District Library | 46,096 |
| Refunds and Returned Checks/Bank Fees | 6,441 |
| TOTAL DISBURSEMENTS | <u>2,096,470</u> |
| BALANCE MARCH 31 | <u><u>\$ 5,184</u></u> |

The accompanying notes are an integral part of these financial statements.

BURNS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Burns Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units.

The more significant of the government's accounting policies are described below:

A – REPORTING ENTITY

Burns Township is governed by an elected five member board. The accompanying financial statements present the Township's primary government and component units over which the Township exercises significant influence. Significant influence was determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues, general obligation of the Township to finance any deficits that may occur, or receipt of significant subsidies from the Township. Component Units that do not meet the criteria for blending are reported discretely.

There are no component units that are reported in the Township's financial statements.

B – GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, or privilege provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly excluded from program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

BURNS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C – MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing or related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Those revenues susceptible to accrual are property taxes, special assessments, licenses, interest revenue, and charges for services. Sales taxes collected and held by the state at year end on behalf of the government also are recognized as revenue. Fines, permits, and parking meter revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The Township reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Fire Fund – Used to account for monies disbursed for Township Fire Protection.

Fire Equipment Fund – Used to account for property tax special assessments levied for purchasing fire equipment.

Ambulance Fund – Used to account for special revenue monies to provide ambulance service for Township residents.

BURNS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C – MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT
PRESENTATION (CONTINUED)

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of outside parties, including other governments, or on behalf of other funds within the government. When these assets are held under the terms of a formal trust agreement, either a pension trust fund, a nonexpendable trust fund or an "expendable" trust fund is used. The terms "nonexpendable" and "expendable" refer to whether or not the government is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the government holds on behalf of others as their agent.

D – ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

Cash and Investments – The Township has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of 3 months or less when acquired.

Receivables and Payables – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Prepaid Items – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide financial statements.

Restricted Assets – Certain revenue bonds of the Enterprise Funds require amounts to be set aside for bond reserve. These amounts have been classified as restricted investments.

Capital Assets – Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Township began recording governmental infrastructure constructed on or after July 1, 2003 as followed by GASB 34.

BURNS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D – ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (CONTINUED)

Property, plant and equipment is depreciated using the straight-line method over the following useful lives.

| | |
|------------------------------------|----------------|
| Land Improvements | 10 to 20 years |
| Building and Building Improvements | 25 to 40 years |
| Utility Systems | 25 to 40 years |
| Roads | 25 years |
| Other Infrastructure | 20 to 40 years |
| Vehicles | 5 to 10 years |
| Machinery and Equipment | 5 to 10 years |

Long-Term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E – USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

F – BUDGETS AND BUDGETARY ACCOUNTING

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances accounting – under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation – is not utilized in the governmental funds. Encumbrances outstanding at year end are not reported as reservations of fund balances and also not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

BURNS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F – BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, the clerk submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted in the Township to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted through board approval.
4. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
5. The budgets were amended during the year ended March 31, 2011 as follows:
 - General Fund
 - Elections - from \$4,000 to \$5,400
 - Office and Hall Equipment - from \$3,000 to \$3,500
 - Fire Operating Fund
 - Miscellaneous Supplies - from \$2,000 to \$2,400
 - Equipment Testing - from \$1,500 to \$2,700
 - Fire Equipment Fund
 - Fire Equipment - from \$28,200 to \$38,000
 - Ambulance Fund
 - SESSA Ambulance - from \$60,000 to \$62,000
 - Miscellaneous Expense - from \$250 to \$398

G – SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

During the course of operations, transactions occur between individual funds for services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

H – COMPENSATED ABSENCES AND POST EMPLOYMENT BENEFITS

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability on the governmental fund that will pay for it. Amount of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. No expenditure is reported for those amounts. In accordance with the provisions reported for those amounts. In accordance with the provisions reported in the general long-term debt account group. No expenditure is reported for those amounts. In accordance with the provisions of Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

BURNS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H – COMPENSATED ABSENCES AND POST EMPLOYMENT BENEFITS (CONTINUED)

Under the Consolidated Omnibus Budgeting Reconciliation Act (COBRA) certain requirements are outlined for health insurance coverage of former employees and eligible dependents. The Township does not have health insurance coverage for its employees; therefore, there are no post-employment health care benefits.

The Township does not have a pension plan.

NOTE 2 – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended) authorizes the local governmental unit to make deposits and invest in the account of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township has designated five banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CD's, but not the remainder of State statutory authority as listed above. The Township's deposits and investment policies are in accordance with statutory authority.

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of March 31, 2011, the Township did not have any investments that would be subject to rating.

Interest Rate Risk

The Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designing its portfolio with the objective of obtaining a rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

BURNS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2011

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Concentration Credit Risk

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying its investments by security type and institution to ensure potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Custodial credit risk of bank deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. At year end, the Township had \$75,514 of bank deposits (certificates of deposit, money market, checking and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

NOTE 3 – INTERFUND RECEIVABLES AND PAYABLES

At March 31, 2011, the individual receivables and payable balances were as follows:

| | <u>Interfund Receivable</u> | <u>Interfund Payable</u> |
|-----------------------------|---------------------------------|------------------------------|
| General Fund | \$ 5,184 | \$ |
| Current Tax Collection Fund | | 5,184 |
| | <u>\$ 5,184</u> | <u>\$ 5,184</u> |

BURNS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2011

NOTE 4 – CAPITAL ASSETS

The following is a summary of changes in the general fixed assets account group during the fiscal year.

| | Balance 04/1/10 | Additions | Deletions | Balance 03/31/11 |
|---------------------------------------------|--------------------|-----------|-----------|---------------------|
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| Capital Assets not being Depreciated: | | | | |
| Land | \$ 12,086 | \$ | \$ | \$ 12,086 |
| Capital Assets being Depreciated: | | | | |
| Buildings | 165,337 | | | 165,337 |
| Fire Equipment | 117,891 | 33,769 | | 151,660 |
| Vehicles | 407,791 | 13,000 | | 420,791 |
| Office Equipment and Furniture | 30,278 | 2,950 | | 33,228 |
| Infrastructure | 922,014 | 113,882 | | 1,035,896 |
| TOTAL CAPITAL ASSETS BEING DEPRECIATED | 1,643,311 | 163,601 | | 1,806,912 |
| Less Accumulated Depreciation for: | | | | |
| Buildings | 141,716 | 5,510 | | 147,226 |
| Fire Equipment | 103,344 | 7,664 | | 111,008 |
| Vehicles | 190,507 | 36,156 | | 226,663 |
| Office Equipment and Furniture | 28,249 | 1,165 | | 29,414 |
| Infrastructure | 169,293 | 49,422 | | 218,715 |
| TOTAL ACCUMULATED DEPRECIATION | 633,109 | 99,917 | | 733,026 |
| Total Capital Assets being Depreciated, Net | 1,010,202 | 63,684 | | 1,073,886 |
| TOTAL | \$ 1,022,288 | \$ 63,684 | \$ | \$ 1,085,972 |

Depreciation expense was charged to functions/programs of the primary government as follows:

| | |
|----------------------------------------------|-----------|
| Governmental Activities: | |
| General Government | \$ 6,675 |
| Public Works | 49,422 |
| Public Safety | 43,820 |
| TOTAL DEPRECIATION – GOVERNMENTAL ACTIVITIES | \$ 99,377 |

BURNS TOWNSHIP
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2011

NOTE 5 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Section 18 and 19, as amended, provides that a local government unit shall not incur expenditures in excess of the amounts appropriated.

In the body of the general purpose financial statements, the Township's budgeted expenditures in the General and Special Revenue Funds have been shown at the functional classification level. The approved budgets of the Township have been adopted at the activity level for the General Fund and the total expenditure level for the Special Revenue Fund.

During the period ended March 31, 2011, the Township incurred expenditures in excess of the amounts appropriated as follows:

| | <u>Appropriated</u> | <u>Amounts Expended</u> | <u>Variance</u> |
|-----------------|---------------------|-----------------------------|-----------------|
| General Fund: | | | |
| Street Lighting | \$ 450 | \$ 456 | \$ 6 |

NOTE 6 – RISK MANAGEMENT

The Township is exposed to various risks of loss related property loss, torts, errors, omissions and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

BURNS TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
AMBULANCE FUND
FOR THE YEAR ENDED MARCH 31, 2011

| | <u>Budgeted Amounts</u> | | | Variance Favorable (Unfavorable) Final to Actual |
|------------------------------------------------------|-------------------------|------------------|------------------|-----------------------------------------------------------|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues | | | | |
| Special Assessments | \$ 63,345 | \$ 63,345 | \$ 62,415 | \$ (930) |
| Interest Income | 150 | 150 | 130 | (20) |
| Total Revenues | <u>63,495</u> | <u>63,495</u> | <u>62,545</u> | <u>(950)</u> |
| Expenditures | | | | |
| Ambulance Service | <u>60,250</u> | <u>62,398</u> | <u>62,397</u> | <u>1</u> |
| Total Expenditures | <u>60,250</u> | <u>62,398</u> | <u>62,397</u> | <u>1</u> |
| Excess (Deficiency) of Revenues Over Expenditures | 3,245 | 1,097 | 148 | (949) |
| Fund Balance at Beginning of Period | <u>47,517</u> | <u>47,517</u> | <u>47,517</u> | <u>--</u> |
| Fund Balance at End of Period | <u>\$ 50,762</u> | <u>\$ 48,614</u> | <u>\$ 47,665</u> | <u>\$ (949)</u> |

The accompanying notes are an integral part of these financial statements.

BURNS TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FIRE EQUIPMENT FUND
FOR THE YEAR ENDED MARCH 31, 2011

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance Favorable (Unfavorable) Final to Actual</u> |
|------------------------------------------------------|-------------------------|-------------------|-------------------|---------------------------------------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Special Assessments | \$ 46,526 | \$ 46,526 | \$ 45,911 | \$ (615) |
| Interest Income | 1,400 | 1,400 | 778 | (622) |
| Total Revenues | <u>47,926</u> | <u>47,926</u> | <u>46,689</u> | <u>(1,237)</u> |
| Expenditures | | | | |
| Equipment Purchases | <u>29,200</u> | <u>39,000</u> | <u>37,831</u> | <u>1,169</u> |
| Total Expenditures | <u>29,200</u> | <u>39,000</u> | <u>37,831</u> | <u>1,169</u> |
| Excess (Deficiency) of Revenues Over Expenditures | 18,726 | 8,926 | 8,858 | (68) |
| Fund Balance at Beginning of Period | <u>193,272</u> | <u>193,272</u> | <u>193,272</u> | <u>--</u> |
| Fund Balance at End of Period | <u>\$ 211,998</u> | <u>\$ 202,198</u> | <u>\$ 202,130</u> | <u>\$ (68)</u> |

The accompanying notes are an integral part of these financial statements.

BURNS TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FIRE MAINTENANCE
FOR THE YEAR ENDED MARCH 31, 2011

| | Budgeted Amounts | | Actual | Variance Favorable (Unfavorable) Final to Actual |
|------------------------------------------------------|------------------|------------|------------|-----------------------------------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Special Assessments | \$ 91,054 | \$ 91,054 | \$ 91,827 | \$ 773 |
| Miscellaneous Other Income | -- | -- | 2,005 | 2,005 |
| Interest Income | 1,200 | 1,200 | 762 | (438) |
| Total Revenues | 92,254 | 92,254 | 94,594 | 2,340 |
| Expenditures | | | | |
| Salaries | 28,000 | 28,000 | 25,019 | 2,981 |
| Payroll Taxes | 2,500 | 2,500 | 1,919 | 581 |
| Office Supplies | 2,700 | 2,700 | 1,384 | 1,316 |
| Fuel and Supplies | 8,000 | 8,400 | 6,167 | 2,233 |
| Repairs & Maintenance | 24,000 | 24,000 | 16,518 | 7,482 |
| Medical | 1,600 | 1,600 | 1,125 | 475 |
| Mileage | 1,000 | 1,000 | 344 | 656 |
| Utilities and Miscellaneous | 6,000 | 6,000 | 3,768 | 2,232 |
| Insurance | 10,000 | 10,000 | 8,703 | 1,297 |
| Education & Training | 4,500 | 4,500 | 673 | 3,827 |
| Equipment/Equipment Testing | 18,000 | 19,200 | 4,518 | 14,682 |
| Total Expenditures | 106,300 | 107,900 | 70,138 | 37,762 |
| Excess (Deficiency) of Revenues Over Expenditures | (14,046) | (15,646) | 24,456 | 40,102 |
| Fund Balance at Beginning of Period | 208,274 | 208,274 | 208,274 | -- |
| Fund Balance at End of Period | \$ 194,228 | \$ 192,628 | \$ 232,730 | \$ 40,102 |

The accompanying notes are an integral part of these financial statements.

BURNS TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2011

| | Budgeted Amounts | | | Variance Favorable (Unfavorable) Final to Actual |
|------------------------------------------------------|------------------|------------|------------|-----------------------------------------------------------|
| | Original | Final | Actual | |
| Revenues | | | | |
| Property Taxes | \$ 77,905 | \$ 77,905 | \$ 79,940 | \$ 2,035 |
| Property Tax Administration Fees | 20,000 | 20,000 | 21,825 | 1,825 |
| Distributions from State | 170,000 | 170,000 | 188,448 | 18,448 |
| Miscellaneous Other Income | 5,000 | 5,000 | 15,361 | 10,361 |
| Interest Income | 6,500 | 6,500 | 3,541 | (2,959) |
| Total Revenues | 279,405 | 279,405 | 309,115 | 29,710 |
| Expenditures | | | | |
| Township Board | 17,600 | 17,600 | 16,052 | 1,548 |
| Supervisor | 14,500 | 14,500 | 13,585 | 915 |
| Elections | 4,000 | 5,400 | 5,096 | 304 |
| Assessor | 21,500 | 21,500 | 21,296 | 204 |
| Clerk | 16,500 | 16,500 | 15,087 | 1,413 |
| Treasurer | 23,000 | 23,000 | 22,058 | 942 |
| Board of Review | 1,000 | 1,000 | 870 | 130 |
| Building and Grounds | 20,000 | 20,500 | 13,462 | 7,038 |
| General Government | 16,500 | 16,500 | 13,640 | 2,860 |
| Planning Commission | 1,000 | 1,000 | 180 | 820 |
| Drains at Large | 5,500 | 5,500 | 1,793 | 3,707 |
| Road Maintenance | 200,000 | 200,000 | 171,618 | 28,382 |
| Street Lighting | 450 | 450 | 456 | (6) |
| Recycling | 1,000 | 1,000 | 835 | 165 |
| Contingencies | 10,000 | 10,000 | -- | 10,000 |
| Total Expenditures | 352,550 | 354,450 | 296,028 | 58,422 |
| Excess (Deficiency) of Revenues Over Expenditures | (73,145) | (75,045) | 13,087 | 88,132 |
| Fund Balance at Beginning of Period | 690,754 | 690,754 | 690,754 | -- |
| Fund Balance at End of Period | \$ 617,609 | \$ 615,709 | \$ 703,841 | \$ 88,132 |

The accompanying notes are an integral part of these financial statements.



DEMIS and WENZLICK, P.C.

Certified Public Accountants

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LaVearn G. Wenzlick, C.P.A.
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS**

Township Supervisor and
Members of the Township Board
Burns Township
Byron, Michigan 48418

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Burns Township as of and for the year ended March 31, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered Burns Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Burns Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Burns Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in Burns Township's internal control to be a significant deficiency:

PREPARATION OF FINANCIAL STATEMENTS

Statement on Auditing Standards No. 115 titled Communicating Internal Control Related Matters Identified in an Audit requires us to communicate when a client requires assistance in the preparation of financial statements and the related footnotes that are required in accordance with accounting principles generally accepted in the United States of America. The staff at Burns Township does understand substantially all of the information included in the financial statements, and as such are able to take responsibility for the content. However, the presentation of financial statements in accordance with generally accepted accounting principles also includes the preparation of government-wide financial statements and note disclosures. Currently the government-wide financial statements and note disclosures are prepared during the audit process. We are communicating these circumstances as required by professional standards, and do not see a need for any change in the situation at this time. This condition was noted.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, standards, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance.

BUDGETS

As noted in the financial statements, some of the activities of the Township exceeded the amounts appropriated. The variances noted were in the General Fund.

The Michigan Public Act 621 of 1978, as amended, provides that the Township adopt formal budgets for all applicable General and Special Revenue Funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures. The Act further provides that total estimated expenditures shall not exceed estimated revenues, including any available unappropriated surplus (i.e., fund balance).

We recommend the Township monitor expenditures against adopted budgets and make appropriate budget amendments as needed in the future.

This report is intended solely for the information and use of management, and the Supervisor and Members of the Board of Burns Township, others within the organization, and applicable departments of the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Demis and Wenzlick, P.C.

Certified Public Accountants

August 17, 2011